

Supply Chain

EUROPE

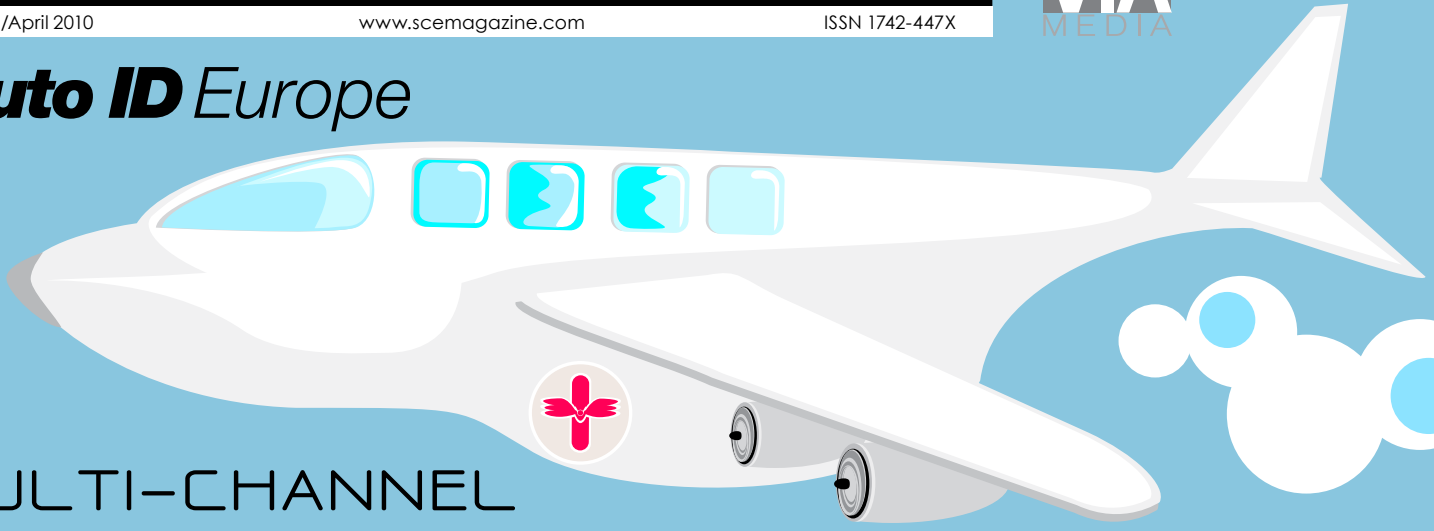
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MULTI-CHANNEL RETAILING

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TRACEABILITY AND SCALABILITY

A NEW ERA IN HEALTHCARE LOGISTICS

Bill Hook describes how UPS has developed dedicated healthcare logistics facilities and services.

It is a widely recognized fact among pharmaceutical and biotech companies that the healthcare supply chain is changing. With sizeable forecasted growth of biologics and more temperature-sensitive products headed into the market than ever before, much of the supply chain is going cold — cold chain that is. New solutions and technologies are needed to maintain the right temperature of these products from packaging and storing, right through to transportation and delivery. As a result, forward thinking healthcare companies and logistics providers are changing their strategy and swiftly re-examining their supply chain practices. UPS is at the forefront of this change and, in 2009, we opened our first facility in Europe dedicated exclusively to healthcare logistics (Roermond, the Netherlands). Our facility, which is the 25th

fully dedicated warehouse worldwide, delivers pharmaceuticals, biotech products and medical devices seamlessly from manufacturing plants to the UPS facility and then on to retailers, pharmacies, clinics, healthcare facilities and patients across the world.

No Room for Error

As business networks continue to 'go global,' it is of paramount importance to ensure reliability in the delivery and traceability of correctly stored temperature-sensitive products reaching the end consumer. Not surprisingly, mistakes have considerable cost implications and are particularly evident when dealing in research-intensive products such as biologics.

In 2009, we surveyed healthcare executives in North America for a study entitled "Healthcare Pain

in the (Supply) Chain," which analysed the key issues facing the industry. We found that 36% of all industry experts and 46% in the pharmaceutical industry listed managing costs as one of their top three healthcare concerns.

A More Complex Supply Chain

As a result, companies are increasingly scrutinizing every aspect of their supply chain journey from packaging and storage, right through to transportation, to maintain product integrity. This is leading to a shift in traditional healthcare logistics methods. Previously, manufacturers focused on keeping products in the right condition until their arrival at hospitals or other locations, where they were expected to be properly handled and stored. Today, however, more manufacturers are looking into packaging strategies that are designed to maintain the efficacy of products from distribution up until their final use by



patients. With this shift come storage and transportation concerns for temperature-sensitive products, including the need for refrigeration, for which temperatures can vary, and frozen products, which must be stored below zero degrees Celsius. All temperature-sensitive products must be stored in Good Manufacturing Procedure (GMP)-compliant facilities that offer temperature- and humidity-controlled environments to maintain these specific requirements.

What's Changed?

Historically, when it comes to transporting temperature-sensitive products, manufacturers have been largely uniform in believing that because the trailers, trucks, planes and other vehicles have refrigerated space, the need to maintain temperature from the distribution centre to the customer is not an issue. This is simply not true. Each time a product is exiting storage, waiting to be moved onto another vehicle, whenever there is a hand-off from one vendor to another, or a delay in the transportation leg of the supply chain, you have a potential temperature issue waiting to happen. Furthermore, with a continued focus on regulation, supply chain visibility remains crucial. New technologies have made it possible for manufacturers to not only track products across their supply chain journey, but also to take action to salvage shipments that have been delayed by using procedures such as intercepting, recovering and reicing, quickly and effectively maintaining customer service and avoiding costly product destruction.

In fact, UPS launched a service called Temperature True, which provides door-to-door temperature controlled shipping. We built refrigeration capacity at airport storage facilities to enable the monitoring, deicing and repackaging of containers. Shipments are tracked from a dedicated call centre and, if packages do not hit their delivery milestones, remedial action is initiated. In the event of an extended delay, we might move the freight via trailer to a validated commercial partner's aircraft. In addition, if a plane has to be diverted because of inclement weather, we can schedule a UPS refrigerated trailer to meet the plane at the rerouted destination and move the freight by ground to its intended goal. Additionally, we also launched a Proactive Response contract service for the safe delivery of small, high-value parcels such as vaccines and clinical specimens. Targeted primarily at the



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clinical trials market, the round-the-clock service uses a monitoring engine that automatically compares data on where a package is against where it should be. Packages that aren't going to meet their delivery windows are flagged and a call centre is alerted to intercede, following the customer's instructions.

Healthcare Logistics in Practice

One company that has taken advantage of the advances in healthcare logistics technology is Endo Pharmaceuticals, a specialty pharmaceutical company based in the US, which focuses on the research, development, sale and marketing of branded and generic prescription pharmaceuticals used to treat and manage pain, bladder cancer, prostate cancer and the early onset of puberty in children, or central precocious puberty (CPP). When the company first approached UPS Supply Chain Solutions, its needs were threefold. It needed a way to track orders placed, monitor outgoing shipments and get paid in a timely manner. It needed real-time contact with its customers in the retail, wholesale and physician markets. And, finally, Endo needed a flexible storage and transportation system that could transport products in a cold chain environment.

Despite already having a clear idea of these supply chain requirements, Endo's managers had been unable to find a partner that could provide a flexible, full service system among the more traditional healthcare carriers at the time. In addition, it could not afford to internalize or create such an operation on its own. Housing and transporting the company's controlled substances was no small feat, so we worked

with them to create the appropriate flexible, scalable and robust distribution systems. For example, in terms of scalability, we developed with Endo a semi-fixed system that ensures that their distribution solution grows with them. The company rented a dedicated space from us where its product orders are fulfilled, products are picked, packed and labelled and all documents recorded.

Another major aspect to consider in healthcare logistics is the importance of dialogue between customer and partner, especially as pharmaceutical companies prepare for new product launches or acquisitions. On one occasion at Endo, the company had to act quickly to accommodate a drug that it had acquired in 30 days. On the day the deal was finalized, Endo had to move products from the previous owner's warehouse to its own facilities and start the shipping process under the new name — a speed of operation previously unheard of in the industry. Seven years on, Endo Pharmaceuticals now has the highly integrated supply chain operation it aspired to, using UPS's domestic and international air, ocean and ground transportation systems. Indeed, Endo's freight delivery and distribution systems are now the envy of many in the pharmaceutical industry.

A New Era

Our experience of working with Endo is not an unfamiliar one. Many pharmaceutical companies are looking for cost-effective solutions, which have the flexibility to scale up or down as new products are introduced or launched in new markets. The industry has witnessed increases in regulation and competition that, fuelled by an explosion in generic drugs, continues to drive pricing pressures. This phenomenon, coupled with the rise in companies 'going global' and therefore increasing business complexity means that healthcare companies are now, more than ever, looking for tailored solutions and new technologies that can provide traceable and scalable supply chains. With the growth in biologics and temperature-sensitive products set to continue, it is certainly an exciting time for the industry to be facing this challenge. At the start of a new decade we have, in many ways, witnessed the dawn of a new era in healthcare logistics. •

For more information

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